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SECURITY INFORMATION

26 March 1952

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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SOVIET UNION

1. Soviet position on German elections and frontiers reaffirmed:  
Upon receipt of the Western answer to the Soviet proposal for a German peace treaty, Soviet Foreign Minister Vishinsky reaffirmed Soviet opposition to a UN-sponsored investigation of electoral conditions in East Germany.

The Soviet Foreign Minister reiterated to the American Charge that the USSR considered membership in the North Atlantic Organization incompatible with the principles of the UN, but maintained that it was not unnatural for a sovereign state to have its own defense forces.

With regard to the question of German frontiers, Vishinsky said that contrary to the interpretation contained in the United States' note, the Potsdam Conference had finally defined the Polish and German frontiers. (S Moscow 1529, 25 Mar 52)

2. Soviet Ambassador to East Germany outlines Soviet policy:  
According to an unconfirmed report, in early March, Soviet Ambassador Pushkin informed three leading East German Communists that the Soviet Union was going to make a new bid for peace with Germany and that it wanted to create a politically independent, unified Germany which would be economically dependent upon the Soviet Union. Finland was cited as an example of what was intended.

Commenting on the internal German situation, Pushkin demanded that the East German leaders regain the confidence of the people, take advantage of the pro-Soviet feelings of the West Germans, and win the support of the Social Democrats. (R FBIS Cologne-Bruehl, 24 Mar 52)

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Comment: Reports suggesting Soviet willingness to make concessions are not unusual when a German peace treaty proposal is being discussed.

A recent unconfirmed report stated that in January Soviet Political Adviser Semenov told East German Communists that the Soviet Union was preparing a new plan for Germany, and assured the Communists that their position would not be jeopardized in the long run.

3. Indivisible fund allocations increased on Soviet collective farms: Collective farms will henceforth be obligated to appropriate a sum ranging from a 15 percent minimum to a 20 percent maximum of their total monetary income for allocation to the collective farm indivisible fund. The US Embassy in Moscow speculates that the increases may help solve old problems involving inadequate livestock shelters and equipment, and new problems arising from the concentration of economic centers on the consolidated farms. Additional capital financing to facilitate farm diversification will also become available. (S Moscow Weeka 12, 21 Mar 52)

Comment: The indivisible or capital fund of a collective farm is used to finance capital reconstruction and repair. In the future the farms will have to rely to a greater extent than in the past on savings for capital expenditures. In turn, this measure will limit the purchasing power of the peasants for consumer goods.

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EASTERN EUROPE

4. Probable new division located in southwestern Bulgaria: [REDACTED]

[REDACTED] has located a new Bulgarian division in the Sandanski-Petric-Nevokrop area of southwestern Bulgaria. [REDACTED] this division appears to be part of the Bulgarian First Army, three divisions of which Yugoslav intelligence has previously identified in western Bulgaria. [REDACTED]

25X1A

Comment: This report tends to support indications derived from various field reports that a new Bulgarian division has been organized opposite the Greek border in the strategic Struma Valley. Interrogations of Bulgarian defectors and refugees have suggested the presence of new elements in this area replacing units of the Bulgarian 7th Division, which is believed to have moved last year up the Struma Valley to the Stanke Dimitrov if not farther north.

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5. Finnish Premier faces dissidence in his party: In a move generally considered to have been motivated by a desire to bring his Agrarian Party into line over the question of economic stabilization, Finnish Prime Minister Kekkonen offered his resignation to President Paasikivi on 21 March. The President requested Kekkonen to stay on in office through 2 April when the Agrarian Party has been scheduled to meet in order to clarify its stand on the economic stabilization issue.

The US Legation in Helsinki believes that the Premier will succeed in regaining control of his party. (R Helsinki 383, 22 Mar 52)

Comment: Prime Minister Kekkonen has experienced considerable difficulty in recent months in obtaining strong support from his party for government policies concerning the economic stabilization program. The immediate issue over which he offered his resignation concerned the fixing of a lower price for butter.

6. Dismissed Rumanian Finance Minister reported still in evidence: The American Legation in Bucharest has been informed by the [REDACTED] that former Rumanian Finance Minister Vasile Luca's limousine moves to and from his home as usual. The Legation concludes that Luca apparently is not under arrest, although rumors of unpublicized purges still persist. (C Bucharest 373, 21 Mar 52)

Comment: Luca's standing as Vice Premier and Party Secretary does not seem to have been affected by his dismissal as Minister of Finance. The shake-up in the Ministry appears to have been occasioned primarily by unsatisfactory handling of the currency reform and financial policy.

7. Tito's party revitalization campaign analyzed by American Embassy officials: With respect to the current attempt to revitalize the Communist Party of Yugoslavia, American Embassy officials believe that although Tito has denied the intention of instituting a "Moscow-type purge," there is no doubt that a selective purge of party members is underway. The Marshal's reference to "no regret" at the possible loss of 100,000 party members must be causing extensive Communist soul-searching, according to these observers.

In noting Tito's identification of Western petty-bourgeois ideas as the principal disruptive influence on the party, Embassy officials suggest that Yugoslav leaders apparently believe it possible to attack and limit Western influence without

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jeopardizing the continuance of Western aid. These observers conclude that while the revitalization campaign may produce a hardened party corps, it will probably be unsettling to the populace and to the party itself. However, they saw no indications that the party's control has been threatened. (S Belgrade 1148, 20 Mar 52)

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Comment: [REDACTED] has admitted privately that the loyalty and morale of many party members has been undermined by a combination of Cominform propaganda and closer ties with the West. Yet under present circumstances the Yugoslav leaders are limited in the means available for combatting party laxity and foreign influences.

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FAR EAST

25X1C

- 25X1C 8. Widespread epidemics in China reported: Serious epidemics  
25X1C in Manchuria and China proper are reported [REDACTED] C  
[REDACTED] In Manchuria, smallpox and typhus  
are occurring in the Mukden area and plague near the Korean 25X1C  
border. Railroad traffic from Mukden has been restricted.

25X1A At Tientsin in North China, anti-epidemic units in early  
March were conducting inspections of health conditions in  
homes and inoculating the populace against typhoid, smallpox,  
and diphtheria. Vegetables and fruits from Manchuria are no  
longer being shipped to North China.

An epidemic of bubonic plague in Canton is said to have  
caused 876 deaths between 16 January and 15 March. [REDACTED]

25X6 Comment: Peiping's BW propaganda charges have given rise  
to numerous reports of epidemics throughout China. There is  
no firm evidence as yet, however, that epidemics this year  
have reached proportions that could be considered unusual for  
China, although the Communist authorities are stressing pre-  
ventive inoculation and other public health measures. The  
[REDACTED] for example, has reported that  
local authorities began inoculating residents against bubonic  
plague in mid-March, and that particular attention was being  
given to travelers from Manchuria.

9. French High Commissioner disturbed over situation in  
Cambodia: Acting High Commissioner Gautier has told American  
Minister Heath that he is extremely disturbed over what he  
considers a deteriorating political and security situation in  
Cambodia. The French official cited the anti-French attitude  
of the Democratic Party cabinet, the King's "timidity," and  
the recent defection to the rebels of two widely popular and  
politically influential Cambodian leaders.

Heath considers the situation "disquieting but not imme-  
diately dangerous" and attributes most of the French troubles  
in Cambodia to lack of a friendly approach and the persistence  
of "a martinet old-line colonial" attitude on the part of  
French officialdom. (S Saigon 1855, 24 Mar 52)

Comment: Opposition to French hegemony among Cambodian  
leaders, heretofore relatively quiescent, has become increasingly

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active as the authority and competence of the Cambodian Government has been strengthened. 25X1C

10. Viet Minh strategy outlined: Viet Minh strategy, [REDACTED] calls for attacks in overwhelming numbers on isolated French posts in order to exhaust French reserves, to capture arms, and to effect the desertion of Vietnamese troops. There are few towns in the Tonkin delta which are not vulnerable to such attacks, and the Viet Minh is confident that this strategy will be successful. It is opposed to the intervention of Chinese troops, fearing that this would mean loss of control to the Chinese Communists. 25X1C

The Viet Minh is making a strong bid to gain the good will of the population in the "Bao Dai zone" by a policy of clemency toward prisoners and correct behavior toward the civil population. This is in marked contrast to the brutal behavior of French Union troops. [REDACTED] 25X1A

Comment: The preponderance of evidence supports this analysis of Viet Minh strategy. 25X1C

11. Change of Premiers in Thailand predicted: Premier Phibun, [REDACTED] has requested General Sarit to nominate Police Director General Phao to be Premier for two months. During this period "drastic" action is to be taken, after which Phibun will return to office. [REDACTED] 25X1A

Comment: The Thai King on 24 March appointed Phibun to succeed himself as Premier. Although political maneuvering will undoubtedly continue in Thailand, most observers have indicated that a reappointment of Phibun would ease the recently developed tensions during the immediate future.

12. Burmese Communists propose joint action against Chinese Nationalists: Representatives of the Burma Communist Party are reliably reported to have met with an official of the Burmese Government to consider a proposal by the party for joining forces to combat the Chinese Nationalists in north-eastern Burma. While the results of this meeting are unknown, another is expected to take place soon to obtain a joint Government, Karen, and Communist agreement, presumably also directed at the Nationalists. [REDACTED] 25X1A

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Comment: Another source recently reported a Communist decision to propose such joint action to Premier Nu, but indicated that Nu would reject it and continue his insistence upon a complete Communist surrender.

On the other hand, the inclusion of a number of extreme leftists in the reorganized Burmese cabinet indicates that such approaches would at least be carefully considered.

13. Burmese delegate comments on Moscow Economic Conference:  
U Kyaw Min, principal owner of Burma's leading English-language newspaper and a violent anti-Communist, has accepted an invitation to the Moscow Economic Conference received through a leader of the pro-Communist Burma Workers and Peasants Party. Kyaw Min has stated that he is to pay his own way to Hong Kong but that he believes that the USSR will pay all subsequent expenses.

In his newspaper column, Kyaw Min wrote that the Russians were being given a "great opportunity" to explain their way of life to him, and that if they are even slightly successful he would "retract everything I have written against Russia and seriously take Communism to heart." (C Rangoon 923, 24 Mar 52)

Comment: The BWPP has close connections with the Soviet Embassy in Rangoon.

Kyaw Min is a member of Parliament and is one of the most influential conservatives in Burmese politics. When in the United States last year he caused considerable concern in Rangoon because of his strong anti-Communist statements, some of which were slyly directed at the Burmese Government.

NEAR EAST - AFRICA

14. Greek Deputy may attend Moscow Economic Conference: The Greek Government intends to permit a Parliamentary Deputy to attend the Moscow Economic Conference if the United States does not object. The Greek Undersecretary of Foreign Affairs told the American Ambassador that the Deputy, a representative of the Greek Rally, the **opposition Party** in Parliament, would go to Moscow in a private capacity to facilitate Greek-Soviet tobacco negotiations. The Undersecretary described the Deputy as "definitely non-Communist," a judgement confirmed by the

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Embassy, and declared that he would not propagandize upon his return to Greece. (C Athens 4129, 15 Mar 52)

Comment: There has been an increasing interest in Greece recently concerning trade with the USSR. This is the first report, however, of any Greek delegate attending the conference from Greece, although the Greek guerrilla government may be expected to be represented. The Free Greek Radio has announced that a "Cypriot economist" plans to attend.

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WESTERN EUROPE

15. Schuman Plan may become operative in two months: Although the Schuman Plan has surmounted its biggest hurdle, ratification by West Germany, much remains to be done before the Plan can get under way. Only one other nation, the Netherlands, has completed ratification of the Plan thus far; the other signatory members have either only partly approved or not yet considered it. None, however, has rejected it.

In France, the Plan has already been approved by the National Assembly, which will consider it again after the Council of the Republic has acted on it. Both the Belgian and the Italian Senates have sanctioned the Plan, but the lower houses of these countries have not deliberated on the matter. Luxembourg has taken no action; it is presumably awaiting complete Belgian ratification.

Mutual Security officials in Paris believe that the last member will have approved the Plan sometime in May, and the project for pooling Europe's coal and steel can then begin to function. As the various organs become operative, the Ruhr Authority will be dissolved.

A British proposal that the Schuman Plan be tied to the Council of Europe by having its top policy body a subcommittee of the Council is currently receiving wide consideration in Europe. (Factual data from: S London 4124, 19 Mar 52; R Paris MSA Repto 27, 7 Mar 52)

16. Right-wing factions encourage political opportunism in Austria: Since his expulsion from the People's Party last year, Ernst von Strachwitz, leader of a once noisy party fraction, has joined the increasing number of malcontents seeking control over political dissidents of rightist inclinations. While this is a highly competitive field, Strachwitz profits from the sympathy of some People's Party members and allegedly still considers himself close to Foreign Minister Gruber. As a co-leader of the Action for Political Renewal, he continues his efforts to raid the local organization of the Union of Independents. He receives support from a number of industrialists in Austria and reputedly hopes for contacts with similar elements in West Germany.

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Despite the conservative and even monarchist aspects of his organization, Strachwitz himself allegedly professes great admiration for the Russians. Recent friendly overtures from Communist spokesmen have been interpreted by him as portending an "approach" from this quarter.

Strachwitz's activities suggest the ferment among Austria's political factions, their doctrinal opportunism, and the poverty of their leadership. In the absence of some unifying formula, these groups pose only a potential threat to US interests; but meanwhile they continue to provide political finagling and instability on the right. (Factual data from C Vienna Desp. 1158, 30 Jan 52; [REDACTED])

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17. Belgium may lead opposition to European agricultural pool: The Netherlands has formally requested Belgium's support for the European agricultural pool in the hope of at least forestalling that country from heading the opposition at the "green pool" conference which opened in Paris on 25 March. The Dutch expect France and Italy to give the plan strong support, West Germany to "straddle the fence," and Belgium to be covertly opposed at the least. The current talks are expected to clarify country positions and prepare the groundwork for a later conference to negotiate the terms of the agreement. (C The Hague 998, 24 Mar 52)

Comment: Both Belgium and Denmark have indicated their opposition to the agricultural pool, Denmark expressing fear of the Netherlands as a low-cost competitor. The present British government, contrary to the position of its predecessor, is anxious to be "closely associated" with the pool, but definitely will not join at the beginning.

18. New wave of Communist-promoted strikes damaging Italian economy: A new wave of strikes throughout Italy promoted by the Communist-dominated General Confederation of Labor is having serious economic repercussions. American Embassy officials in Rome believe that the non-Communist labor unions are having difficulty restraining their members from supporting these work stoppages.

Most of the current trouble is in the mechanical, metallurgical, mining, chemical, and ceramics industries. The strikes seem to be following a careful pattern, taking place in different industries on different days. (S USARMA Rome Joint Weeka 12, 21 Mar 52)

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Comment: Labor unrest in Italy, besides slowing down the defense production program, is also likely to jeopardize the chances of the present government parties in the coming spring elections in the south.

The Communist-promoted "chain-reaction" pattern of strikes began over a month ago after the Fiat factory in Turin fired a number of employees for engaging in political activity while at work. The rising dissatisfaction among factory workers over the discrepancy between wages and prices has made it easy for Communist agitators to induce many non-Communists to join in the strikes.

19. Italy's EPU surplus with France the result of non-trade factors: During the past eight months Italy's surplus with the French in the European Payments Union on trade account has been much less than its surplus on payments account. This latter includes such non-trade items as payments for "invisible transaction." On 1 January, after the first eighteen months of EPU's operations, Italy's trade surplus with the French area was 34 million dollars whereas its payments surplus was 113 million dollars. The greater proportion of this payments surplus was accumulated in the second half of 1951. (S Paris MSA 1340, 21 Mar 52)

Comment: This information tends to confirm other reports that there has been a substantial flight of French and British capital to Italy via the European Payments Union. Italy defends its requests for more American economic aid on the grounds that much of its current EPU surplus is of little practical benefit to its economy.

20. Italian Christian Democratic labor organization hostile to Socialist labor group: Efforts of Italian metal workers affiliated with the Italian Union of Labor (UIL) to join the International Metal Workers Federation have been blocked by the rival non-Communist Italian Confederation of Labor (CISL), which bases its action on allegations that UIL is extremely small and has left-wing connections "which are not clear."

The American Embassy in Rome comments that Konrad Ilg, President of the International Secretariat, and Victor Reuther, CIO European representative, went to Turin to try to establish a working agreement between UIL and CISL, but were unable to do so. (S USARMA Rome Joint Weeka 12, 21 Mar 52)

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Comment: Many American officials and labor representatives have hoped that in the interests of anti-Communist solidarity, the CISL and UIL might work out a program of friendly collaboration. Such an understanding appears distant, despite the fact that both CISL and UIL are members of the International Confederation of Free Trade Unions.

CISL, which has been aided by many American labor groups, is largely dominated by the Christian Democrats and consequently has been accused of being too close to the Italian Government and to the Vatican. During the past year CISL's membership has remained stationary, whereas that of the anti-clerical and socialist-oriented UIL has increased considerably, largely at the expense of the Communist General Confederation of Labor (CGIL).

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22. British Army increase in prospect for October: Three new infantry brigade headquarters are to be formed in mid-July to command the seven new infantry battalions ordered by Churchill last January (see OCI Daily Digest, 9 Jan 52) plus two older infantry battalions. The brigades are to be in operational status by October, but further build-up to divisional strength is not contemplated this year. (S London Joint Weeka 12, 21 Mar 52)

Comment: These brigades will form the basis for a strategic reserve and will permit rotation of infantry units

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between home and overseas stations. Although increasing the army's tactical strength, formation of the new brigades will strain the already inadequate support units still further.

LATIN AMERICA

23. Secretary-general of Inter-American Organization of Labor tenders resignation: Francisco Aguirre, secretary-general of the Inter-American Organization of Labor (ORIT), has offered his resignation to the executive board in a letter whose contents reflect the dissatisfaction of Latin American affiliates with the financial support they are receiving from unions in the United States. Angel Bravo, ORIT office manager, believes that the reason for the failure of the AFL and CIO to donate funds is a lack of confidence in Aguirre.

The American Embassy in Havana believes that Aguirre is sincere and considers that unless care is observed by the US unions in handling the matter, ORIT may break up, fulfilling the fondest wishes of both the Peronistas and Communists. It also feels that if his resignation is accepted, it should be done in such a way as to hold his friendship. The Embassy observes that finding a successor on whom AFL and CIO leaders can depend and who will be acceptable to Latin American labor leaders will be a "thorny problem." (C Havana Desp. 1384 and 1409, 21 and 29 Feb 52)

24. Argentine Government attempts to conceal arrests of plotters: The Argentine Government is trying to conceal the details of recent arrests for plotting, because of the involvement of military personnel. A delicate situation has been created for Peron in view of the new law which demands the death penalty for all military personnel arrested for anti-government plotting. Many of the arrests have resulted from routine precautions and from the recommendations of a security committee composed of two federal police officers and three army officers.

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[REDACTED] apparently there is no well-organized movement to oust Peron, but there are several small groups which are independently plotting to assassinate him and his wife (see OCI Daily Digest, 5 and 8 Feb 52). [REDACTED]

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**TOP SECRET SUPPLEMENT**

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### WESTERN EUROPE

1. Russians protest Western evasion of Allied travel controls in Vienna: At a recent meeting of the Quadripartite Frontier Control Working Party, the Soviet delegate strongly protested the travel from American- and British-controlled Viennese airports of West Germans without quadripartite documentation. The Soviet warning that "necessary control measures" might be instituted remains unclarified, but could involve Soviet check-points on roads leading from these airports to Vienna. (TS CG USFA Salzburg P 0560, 20 Mar 52; C to Vienna 2396, 24 Mar 52)

Comment: To avoid long delays and whimsical Soviet rejection of individual entry applications, Western-controlled airports have been used in special cases to admit German nationals to the Austrian capital. American officials fear that the Soviet check-points would threaten the safety of such Germans as well as jeopardize refugee flights out of Vienna.

Since neither the Western powers nor the Austrian Government can control the entry into the Soviet Zone of foreign nationals favored by the Soviet Headquarters, the inequity of this latest protest is obvious. It is, however, a further indication of Russian sensitiveness on such matters, and a warning that the prospective establishment of West German representation in Vienna is likely to encounter Soviet obstruction.

2. British seen opposed to reducing rubber exports to Soviet Orbit: United States Embassy officials in London believe that in present circumstances any American proposals for reduction of natural rubber exports to the Soviet bloc would elicit a "negative and hostile" British reaction. The British officials concerned are convinced that recent US rubber policy decisions will increase the already serious difficulties they believe face the "producing areas" this year.

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The Embassy suggests that the United States take action to help the natural rubber producers, preferably by the removal of restrictions on the domestic use of natural rubber, and thus incidentally foster a more favorable atmosphere for the discussion of the Soviet quota problem. (S, S/S London 4205, 24 Mar 52)

Comment: Rubber traders in London and Malaya reportedly anticipate a large unabsorbed natural rubber surplus this year. The British Government has recently shown itself especially sensitive to pressure from them, probably because of the crippling effects a recession in the rubber trade would have upon Commonwealth efforts to improve the sterling area's payment position.

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